

II. **SEOCH PARTICIPANTSHIP**

2. **SEOCH PARTICIPANT**

2.1 **Admission Process**

The applicant is required to fill in the **Application For Participantship Form** and submit all necessary documents and where applicable, processing fees as prescribed by the SEOCH Board from time to time to SEOCH according to the instructions given on the form.

SEOCH will verify the details submitted against the entry requirements as stipulated in the Clearing Rules. If necessary, the applicant may be required to provide further information. Site visits may also be carried out in the approval process.

The SEOCH Board shall at its absolute discretion approve or reject an application. The SEOCH Board may also approve an application in principle subject to the applicant's fulfilment of conditions set by the SEOCH Board within the prescribed time period. The applicant will be notified in writing as to the SEOCH Board's decision.

If the SEOCH Board rejects an application to admit as a SEOCH Participant, the applicant may, within 14 Business Days after it is notified of the SEOCH Board's decision, appeal in writing to the Participant Admission Appeals Committee in accordance with Section 2.8. The decision of the Participant Admission Appeals Committee will be final and conclusive.

2.2 **Registration**

SEOCH will maintain a register containing the full names and addresses of all SEOCH Participants, particulars of the category of SEOCH Participantship under which each SEOCH Participant is registered and the date of admission of each SEOCH Participant.

2.3 **Change of Clearing Participantship**

Any request regarding the change of SEOCH Participantship from one category to another and any notification of a SEOCH Participant's intention to resign from SEOCH Participantship must be submitted to SEOCH in writing.

An application for the change of SEOCH Participantship category will be processed as if it were a new application for the respective category of SEOCH Participantship.

2.4 **Resignation of SEOCH Participantship**

A SEOCH Participant may resign from being a SEOCH Participant but continue to be an Options Trading Exchange Participant. In this case, it becomes an NCP. A SEOCH Participant may also resign from both SEOCH Participantship and Options Trading Exchange Participantship. The resignation procedures are described in detail in the following paragraphs.

2.4.1 **Resignation of SEOCH Participantship to become an NCP**

A SEOCH Participant resigning from SEOCH Participantship and becoming an NCP shall submit a written request to SEOCH, together with a certified true copy of the Clearing Agreement which it has signed with a GCP. Upon becoming an NCP, it will no longer be able to clear its own or any client's options trades.

A SEOCH Participant which is a GCP at the time of submitting the resignation request must also present certified true copy(ies) of the termination agreement(s) that it has signed with any of the NCPs on whose behalf it has been clearing.

2.4.2 Resignation of SEOCH Participantship and Options Trading Exchange Participantship

A SEOCH Participant requesting the resignation of both SEOCH and Options Trading Exchange Participantship shall submit a written request to SEOCH. A SEOCH Participant which is a GCP at the time of submitting the request must also present certified true copy(ies) of the termination agreement(s) that it has signed with any of the NCPs on whose behalf it has been clearing.

2.4.3 Resignation Procedure

The following procedure will apply to the resignation of SEOCH Participantship :

- i. Within such period of time as specified by SEOCH, the resigning SEOCH Participant is required to submit a plan to SEOCH on how it intends to close out or transfer all options positions held in the accounts of NCPs for whom it clears as well as those of its house, client and other accounts maintained with SEOCH. The resigning SEOCH Participant is not allowed to create any open position which expires later than the date specified by SEOCH.
- ii. From the date the resignation request is received by SEOCH, the SEOCH Participant may be obliged to make further additional contributions to the Reserve Fund subject to Clearing Rule 413J and provide Assessments requested by SEOCH for an amount up to a limit determined by SEOCH in accordance with 11.6.
- iii. Each resignation request received by SEOCH will be submitted to the SEOCH Board for approval. If a resignation request is approved by the SEOCH Board, the SEOCH Board will also determine the effective date of termination of its SEOCH Participantship, and may determine that the approval be subject to the fulfilment of such conditions as it may consider appropriate.
- iv. SEOCH will notify the resigning SEOCH Participant and the GCP in writing of the SEOCH Board's decision and, if the request has been accepted, confirm the effective date of the termination which may be subject to fulfilment of conditions set for the resigning SEOCH Participant as mentioned in paragraph iii above.
- v. The resigning SEOCH Participant shall, until the effective date of termination of its SEOCH Participantship, remain bound by all the provisions of the Clearing Rules.
- vi. All SEOCH Participants will be notified by circular.
- vii. Upon payment of all fees accrued from options positions, the re-calculated Variable Contribution and any replenishment of Reserve Fund Contributions up to the Business Day before the effective date of termination of its SEOCH Participantship and Assessments up to the limit pursuant to Clearing Rule 413CA, the resigning SEOCH Participant will have no further obligations to SEOCH. Subject to Clearing Rules 723H and 1303, two months after the effective date of termination, its Reserve Fund Contributions will be refunded in accordance with Clearing Rule 722. SEOCH may deliver or return to SEOCH Participant assets in such form and in such amount, as SEOCH deems appropriate, equivalent to the assets recorded as part of its Reserve Fund Contributions Balance.

2.5 Revocation of Resignation Notice

If a resigning SEOCH Participant wishes to withdraw its resignation notice, it can do so only before the effective date of the termination and subject to the consent of SEOCH. The SEOCH Participant is required to submit a written request to SEOCH giving the reasons for the revocation.

SEOCH will inform the resigning SEOCH Participant of the amount and the payment date of any additional Reserve Fund Requirement that is demanded or other conditions that it must fulfil before it could revoke the resignation notice and resume the same participantship status before its notice of resignation.

2.6 Change of Clearing Relationship

If there is a change to an existing clearing relationship between an NCP and a GCP, they are required to sign a termination agreement to end the relationship. The NCP shall, if applicable appoint a replacing GCP to clear its options trades.

Besides the NCP, the newly appointed GCP and the terminated GCP are also required to notify SEOCH in writing. If the change request is approved by SEOCH, SEOCH will confirm the effective date for change of clearing relationship in writing.

The NCP's trades done prior to the effective date will be cleared by the existing GCP and trades done on or after the effective date will be cleared by the new GCP. SEOCH will transfer all its existing positions with the terminated GCP to the corresponding accounts with the new GCP on the effective date.

If the change in clearing relationship leads to a change in the GCP's Reserve Fund Contribution, SEOCH will process the addition/reduction in Initial Contribution within such period of time as specified by the SEOCH Board.

2.7 Suspension of Participantship

SEOCH may suspend the SEOCH Participantship of a Defaulting SEOCH Participant on such terms and for such period as SEOCH may think fit. SEOCH may also suspend the SEOCH Participantship of any SEOCH Participant which is in violation of the Clearing Rules.

2.8 Appeal to the Participant Admission Appeals Committee

2.8.1 Membership of the Participant Admission Appeals Committee

The Participant Admission Appeals Committee shall have 3 members, and all 3 members must attend the hearing to form a quorum. The three members shall be:

- (a) the chairman of the Participant Admission Appeals Committee who shall be an independent non-executive director of HKEX to be appointed by the chairman of HKEX;
- (b) a director of the SEOCH Board who is not involved in the day to day operations of SEOCH to be appointed by the chairman of the Participant Admission Appeals Committee; and
- (c) an independent non-executive director of HKEX to be appointed by the chairman of the Participant Admission Appeals Committee.

2.8.2 Secretary

The Participant Admission Appeals Committee shall have a secretary to carry out any administrative functions.

2.8.3 Time for Appeal

If the SEOCH Board rejects an application to admit as a Participant, the applicant may appeal to the Participant Admission Appeals Committee by service of a notice in writing to the secretary within 14 Business Days of being notified of the SEOCH Board's decision.

2.8.4 Notice of appeal

A notice of appeal shall set out the name of the appellant, the decision appealed against, the grounds of appeal, all material facts and attaching copies of all documents relevant to the appeal.

The appellant shall provide SEOCH with all information for the application to admit as a SEOCH Participant before seeking to appeal against the rejection.

The appellant shall not seek to present to the Participant Admission Appeals Committee new information or evidence that was not previously submitted with its application to admit as a SEOCH Participant.

If the secretary upon receipt of the appeal application discovers that the appellant seeks to adduce any new information, the secretary shall request the appellant to withdraw its appeal application and re-submit an application to admit as a SEOCH Participant.

2.8.5 Notice of hearing

The Participant Admission Appeals Committee shall fix a date for the hearing within 30 Business Days after receipt of the appellant's written application together with the information required under first paragraph of Section 2.8.4 and the secretary shall notify the appellant of the date of hearing.

The secretary's notice to the appellant shall set out the time, date and place of the hearing and shall be delivered to the business address of the appellant by hand or by registered mail no later than 14 Business Days before the hearing.

2.8.6 Attendance

The hearing will be held in private. The appellant can attend the hearing by the personal attendance of an appropriate and authorised representative.

The appellant shall have the right to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee. If the appellant wishes to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee, it shall notify the secretary of the name of the solicitor and/or counsel representing it at least 7 Business Days before the hearing takes place.

The Participant Admission Appeals Committee may seek external legal representation at the hearing.

At least 3 Business Days before the hearing, the appellant shall provide the secretary with a list of all persons attending the hearing and the respective capacity in which such persons will attend the hearing.

If the appellant fails to attend the hearing before the Participant Admission Appeals Committee, the Participant Admission Appeals Committee hearing may proceed in the absence of the appellant and dispose of the matter in whatever manner as it sees fit.

2.8.7 The hearing

The appellant and/or its legal representatives may make an oral presentation or submission before the Participant Admission Appeals Committee in the hearing. The Participant Admission Appeals Committee may ask any persons attending the hearing any questions relevant to the admission application.

At any hearing, the Participant Admission Appeals Committee may, at its full discretion, admit or reject any evidence adduced, whether oral or written, and attach such weight to the evidence as the Participant Admission Appeals Committee considers appropriate in its discretion.

2.8.8 Decisions on appeal

The Participant Admission Appeals Committee will consider the evidence, written and oral, presented to it in coming to its decision. The secretary shall notify the appellant in writing of the decision of the Participant Admission Appeals Committee as soon as practicable and in any event no later than 30 Business Days after the hearing. The decision of the Participant Admission Appeals Committee shall be final and conclusive.